

STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

CALIFORNIA ENERGY COMMISSION'S  
BUDGET and MANAGEMENT COMMITTEE

96-M&B-1890

Friday, November 8, 1996

9:48 a.m.

California Energy Commission  
1516 Ninth Street  
Hearing Room A  
Sacramento, California

REPORTED BY:

SUSAN PALMER

**COMMISSIONERS PRESENT**

CHARLES R. IMBRECHT

SALLY RAKOW

JANANNE SHARPLESS

**STAFF PRESENT**  
**(Alphabetically Listed)**

WILLIAM CHAMBERLAIN, Counsel

SUSAN GEFTER, Acting Public Advisor

GARY C. HEATH, Advisor

LAURIE TEN HOPE, Advisor

**ALSO PRESENT**  
**(Alphabetically Listed)**

GREGG COOK, Government Affairs Consulting, Sacramento

CAROLYN M. KEHREIN, Energy Management Services, Dixon

GARY C. MATTESON, University of California, Berkeley

JAN W. PRITCHARD, City of Los Angeles, Department of Water  
and Power

JOHN SCADDING, Public Utilities Commission

THOMAS H. WILLOUGHBY, PG&E, Sacramento

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## P R O C E E D I N G S

**CHAIRMAN IMBRECHT:** This morning is a special meeting of the Budget and Management Committee of the California Energy Commission and, when Mr. Scadding arrives, with the joint participation of the president of the Public Utility Commission's Office.

As we all know, AB 1890 established an Oversight Board charged with the responsibility of establishing the Independent System Operator and the Power Exchange Operating Boards to determine the composition and the terms of service and to appoint the members of the Governing Boards of each of the two institutions and also, and I think of equal importance, to serve as an appeal board for majority decisions of the ISO Governing Board.

The five-member Oversight Board shall be comprised of three members who are California residents and electricity ratepayers appointed by the Governor from a list that is jointly provided by the Energy Commission and the Public Utilities Commission and subject to confirmation by the California State Senate.

In addition, one member of the Assembly appointed by the

Speaker and one member of the Senate appointed by the Senate Rules Committee will serve as *ex officio* and nonvoting members of the Oversight Board. The Oversight Board members shall serve a three-year term with no limits on potential reappointments.

The purpose of today's hearing is to give interested parties an opportunity to discuss the necessary qualifications that we should consider in developing the list for the Governor's consideration.

The legislation requires the Energy Commission and the Public Utilities Commission to develop a joint list of potential candidates and to submit them to the Governor's Office for his ultimate consideration for appointments.

We have proposed qualifications in a draft application package that was attached to the notice that was issued by my colleague and fellow member of the Budget Management Committee, Vice Chair Sally Rakow, who has been operating as the liaison with the Public Utilities Commission on this issue.

I would also notice that, as we indicated on the October 16th scoping hearing relative to our responsibilities on AB 1890, that we anticipated the active participation of other members of the Energy Commission in each of the proceedings that will take

place with respect to our overall responsibilities. And in that context we are also joined by our colleague, Commissioner Jananne Sharpless, for today's hearing.

With that I would like to invite Commissioner Rakow to offer some opening comments.

**VICE CHAIR RAKOW:** I think that the only addition I'd like to comment on is that it is the intent of both Commissions, to have both the California Public Utilities Commission and the CEC, to have a single application form for the Oversight Board.

The written comments on the draft application will be due, per an order by President Conlan, in to the CPUC on November 12th. And we would like the same comments to be filed with our docket. The Energy Commission's docket number is 96-M&B-1890.

The final application form will be available for the public on November 15th. And shortly after that both of the applications are to be filed with -- the final date with both Commissions is December 4th.

Then we will put together a joint list to submit to the Governor by December 16th or perhaps before.

The applications will be completely confidential, both by the PUC and the CEC. So this is the public process part of the

whole procedure.

And Susan Gefter from the Hearing Office is the Acting Public Advisor. And she is here today to assist any of you who wish to make comments.

The only other comment I should have on the application is that I don't focus too much on pages 4 through 8, because that is a direct copy of the Governor's appointments' procedure form. So that stays as it is on the application form. So with that we can have them --

**CHAIRMAN IMBRECHT:** Yes. Those are our normal --

**VICE CHAIR RAKOW:** That's normal.

**CHAIRMAN IMBRECHT:** -- questions that are applied to all appointees, including members of the Energy Commission and the Public Utilities Commission. And the Governor's Office will expect applicants to comply with those provisions as well.

I should also note that because of the fact that there is a provision in the Constitution that says a public office cannot be created through urgency legislation, this process has been perhaps delayed a bit from the contemplation originally under consideration by the Conference Committee that's developed AB 1890.

The Governor's Office, however, is committed to making the appointments to the Oversight Board immediately after the first of the year when the legislation will take effect pursuant to provisions of the Constitution.

**VICE CHAIR RAKOW:** Perhaps we should note the importance of these positions.

**CHAIRMAN IMBRECHT:** Yes. Well, these positions are obviously very important because those of you that have -- and I know that most of this audience is part knowledgeable about the enormous number of tasks that are required over the next 14 months, but the bottom line is that both the ISO and the WEPEX are going to require substantial recruitment of staff, the acquisition of an enormous amount of hardware and software.

One of the reasons that Mr. Freeman was appointed as a trustee was to begin that process, recognizing that the timeframes were very short if, in fact, we were going to be in a position to see implementation of 1890 by January 1st of 1998.

Ms. Gefter, who is our Acting Public Advisor, at the rear of the room, has these blue cards. If you do wish to address us, I would appreciate if you would ask her for one of those cards to be filled out.



And with that the first individual who wishes to address the Commission is Mr. Gary Matteson, representing University of California. You may either take a chair or use the lectern, whichever is more comfortable.

**MR. MATTESON:** Good morning, and thank you.

My questions are really related to the section, a five-member OSB Board will be comprised as follows: Three members who are California residents and electricity ratepayers.

And I'm wondering what the qualifications are going to be in terms of who they are or who they represent. And I use as categories that have been used in the ISO Board: Residential, commercial and industrial or both.

**CHAIRMAN IMBRECHT:** Quite frankly, that's why we're holding this hearing today, is that we would appreciate your comments and recommendations in that context.

**MR. MATTESON:** Well, I can share with you the experiences that I personally had with the ISO Board. The ISO Board was convened in a rather -- *laissez-faire*, I guess, would be best the description.

**CHAIRMAN IMBRECHT:** You're really referring to the Interim ISO Board.

**MR. MATTESON:** That is correct.

**CHAIRMAN IMBRECHT:** Because it is not and will not be the official ISO Board.

**MR. MATTESON:** Well, I can only hope that the processes that this unit uses and these procedures are more prescribed and more -- if I can use the word "fair" -- than the other processes.

Actually there was a nominee for the other Board. And the outcomes were settled, but the processes were very unstated, unclear and, frankly, quite ambiguous.

So I look forward to participating in a process that does, in fact, have representation from commercial, residential and industrial.

And I think that there should probably be some weighting or some consideration of each one of those groups. It is certainly in our minds, from the University of California, important that industrial, commercial and residential ratepayers each have their say at this. There is quite a bit of differences in the way each approaches their market in this, especially this new market.

**CHAIRMAN IMBRECHT:** Commissioner Sharpless has a question for you.

**MR. MATTESON:** Yes.

**COMMISSIONER SHARPLESS:** Yes. Mr. Matteson, I'm wondering if you're talking about the boards that will be set up for the ISO and for the Power Exchange. The criterion qualifications that we're here seeking input are for the Oversight Board. And, as the Chairman described, two are already established to be one from the Senate and one from the Assembly, chosen by those respective boards. There are three which will be appointed by the Governor with Senate confirmation. Those are the criterion qualifications.

One of the responsibilities of that Oversight Board will be to select the membership of the -- what should I call it -- Governing Boards of the --

**CHAIRMAN IMBRECHT:** Yes.

**COMMISSIONER SHARPLESS:** -- Independent System Operator and the Power Exchange. So we're at an oversight level in determining the criteria in this meeting.

**MR. MATTESON:** I understand that.

**CHAIRMAN IMBRECHT:** I guess the best way to describe this is the Oversight Board -- I think this sounds a bit lofty, but it's designed to be sort of a supreme court, if you will, of

determining the relative makeup of the Governing Boards for the two operating institutions.

What the weighting is amongst -- if you look at the legislation, the Oversight Board is charged with considering a variety of groups to ensure that no collective group has a dominant majority or, in essence, a veto potential, but to basically decide what the relative weighting should be amongst the various groups that you have described, as well as other groups as well, independent power producers and so forth and, further, ultimately who should be the membership of those boards.

The Oversight Board is more in the context of, as I said, both an appeals board and also an institution that is really designed to decide the overall government's structure for both the ISO and WEPEX.

So certainly one possibility would be that we should suggest the Governor appoint, of the three voting members, a representative from each of the groups you described.

Another option would be, it would seem to me, to consider appointing senior, perhaps, retired officials from various elements of the electric power industry. Another would be to consider the appointment of academicians that have expertise in

these areas. There are a variety of different approaches that could be taken. And what we're looking for today is public input as to what type of membership, what type of nominees we should submit to the Governor for his consideration for the Oversight Board membership.

**MR. MATTESON:** I thank you. And my reaction to your comments, if I may, is that the group that I did not mention was the representatives of the power industry, as you have described.

My concern is that the customers, the consumers have a firm representation on this growth board. I chose those three groups as consumer groups.

I could also add that the individuals that you named or the categories that you named, I would hope that the emphasis would be placed on their visionary abilities.

I think we are -- and I suspect that most of the people that went to the AB 1890 exercise came to the realization that this is new turf, new ground and we do need individuals that are looking forward and not necessarily looking backward. Certainly some experience is appropriate, but the vision aspect of this task is enormous.

Thank you.

**CHAIRMAN IMBRECHT:** Sure.

**COMMISSIONER SHARPLESS:** If I could.

**CHAIRMAN IMBRECHT:** Sure. Commissioner Sharpless.

**COMMISSIONER SHARPLESS:** Chairman Imbrecht, I think another, perhaps, important element for consideration today is bringing up the aspect of industry participation, what conflict-of-interest provisions might prevail for qualifications.

I know that there will have to be a consideration there. And if anybody in the audience has any comment on that that, likewise, I think would be helpful. But I know that our own legal counsel has been looking into that aspect of qualifications for the Oversight Board.

**CHAIRMAN IMBRECHT:** Let me just note and welcome Mr. Scadding, who has just arrived, representing President Conlan. As we indicated, this is designed to be a joint effort between the Public Utilities Commission and the Energy Commission. And we are glad to have you with us.

**MR. SCADDING:** Thank you.

**CHAIRMAN IMBRECHT:** And we have just begun. This is our first witness.

**VICE CHAIR RAKOW:** Perhaps Mr. Chamberlain could give

us a brief summary for some of the pitfalls of the conflict-of-interest area.

**MR. CHAMBERLAIN:** Yes. I think while it could be desirable to have membership on the Oversight Board that understand the utility industry, there is a significant challenge there because the Fair Political Practices Act, unless the Legislature should pass some sort of exemption from it or alteration of its requirements, vis-a-vis the members of the Oversight Board -- and I wouldn't expect that to happen very quickly, if it did happen -- those members will be subject to the Fair Political Practices Act, which means that they will have to report all of their financial interests, any source of income more than \$250 per year, any investment more than \$1,000 in any company that could be affected in some material financial way by a decision that they would make on the Oversight Board.

Obviously, either a utility executive, a utility employee, that is for an investor of a utility, and anyone who is a retiree of one of our utilities, who's receiving retirement from that company, would have difficulty with this because many of the decisions they would make would certainly have a material financial impact on that company. So this is one of the

challenges we have.

I don't think that it necessarily disqualifies all utility people, however. Certainly representatives of municipal utilities could participate on the Oversight Board. But I think it would be certainly important, from the perspective of the investor of utilities, that the Board not consist exclusively of those kinds of people.

And actually I think it may be necessary ultimately for the Legislature to consider some sort of modification that allows members of the Oversight Board at least to be employed or have interests in companies that only have, as their connection to the electric industry, the fact that they buy electricity, because then you could take this claim to the point where anyone who owns any stock in any company that buys electricity in California finds themselves disqualified from many of the decisions that would have to be made on the Oversight Board.

But these are things that we need to work with the FPPC on and draft clean-up legislation, if necessary.

**VICE CHAIR RAKOW:** How does that go into the consultant area? Some consultants in California focus just on the energy industry?



**MR. CHAMBERLAIN:** Yes. They certainly could be affected by that as well.

**COMMISSIONER SHARPLESS:** Would that also pertain to, for instance, individuals from financing institutions and also individuals from telecommunication institutions?

**MR. CHAMBERLAIN:** Well, the connection there would be a little bit --

**COMMISSIONER SHARPLESS:** More indirect.

**MR. CHAMBERLAIN:** -- more indirect. And I think you'd have to consider whether those institutions themselves are likely to be materially affected by the decisions of the Oversight Board.

When you start to say, well, the decision of the Oversight Board might affect PG&E, for example. Well, if this firm does business with PG&E, but it's not a substantial part of the business of that firm, then probably it wouldn't be a material finance impact.

**CHAIRMAN IMBRECHT:** Thank you. That was helpful.

**VICE CHAIR RAKOW:** It just was brought to my attention by my advisor that the draft to answer Mr. Matteson's question about the public process of the Board and actually in their nominating or appointing the -- what do we call it, the Governing

Boards -- the draft regulations will address, that the Oversight Board will put in place, will address the nominating procedures and qualifications for the ISO Board and PX Board. And so these would be made public, these procedures and processes.

**MR. MATTESON:** I understand. I'm speaking to procedures and processes that have already been completed. And I understand from the Commissioners that this is already -- this is a draft of a committee or of a first cut of a process. But, as far as I know, the nominees have been selected for the ISO Board by the individuals that were participating in it. And from that point I have --

**VICE CHAIR RAKOW:** That's not the --

**CHAIRMAN IMBRECHT:** What you're referring to are the filings that took place by the IOUs before FERC. And, in essence, the legislation has obviated that process and has substituted, because of the fact that there were widespread complaints about the fact that there were a limited number of players, if you will, in that process.

And so the legislation now is the controlling and operative vehicle by which this process will be undertaken.

The Boards that will be created by the Oversight Board

are, in fact, going to be the official ISO and WEPEX Boards.

**MR. MATTESON:** Okay. So I'm to understand that the process that I and others participated has been null and void by actions subsequent to that process?

**CHAIRMAN IMBRECHT:** Well, the expectation is that FERC will take that point of view.

**MR. CHAMBERLAIN:** Well, I was just going to comment that the WEPEX process that you participated in is continuing in order to move the process of actually acquiring hardware and software so that the market can go into effect on January 1st, 1998.

But it's anticipated by all the people who are involved in that process that, as the Oversight Board begins its work on January 1st or January 2nd of 1997, and incorporates the PX and ISO, and creates Governing Boards for those entities, those Governing Boards will then be in charge, will take over the funds that are being created in the trust, and will proceed from there. So it will be those processes that become the permanent governing structure of those institutions.

**MR. MATTESON:** That's comforting. Thank you.

**CHAIRMAN IMBRECHT:** All right. Thank you.

Any further questions?

Ms. Susan Bergles, who is in the Cogeneration Association of California.

**MS. BERGLES:** Yes. Based on the clarifications that were made this morning, I don't have any specific comments at this time.

**CHAIRMAN IMBRECHT:** I have no further cards. Does anyone else wish to be heard on any of these issues?

[No response.]

**CHAIRMAN IMBRECHT:** This is going to be one of the shortest hearings on record on one of the more important questions that we have before us.

If no one else wishes to be heard, I will simply invite your written comments to the respective dockets of both the Public Utilities Commission and the Energy Commission.

I want to assure you that we are most interested in your suggestions about how we proceed in terms of providing nominees to the Governor, and what type of qualifications are most important for the three voting members of the Oversight Board.

While it's a five-member Board, I think it's important to recognize that the three appointees that are made by the -- or

the three appointments that are made by the Governor are, in fact, those that will control the ultimate decisions, even though obviously there will be oversight and input from the two legislative members as well.

So it is, I think, not only important but incumbent upon those want to participate in this process to try to give us some advice. Otherwise, the two Commissions are simply going to have to draw our own judgments about what are the appropriate issues to consider and the appropriate qualifications to consider as well.

I would also invite suggestions about other issues that you think are appropriate for the application process.

I am also now informed that Carolyn Kehrein, of the Energy Management Services --

**MS. KEHREIN:** I just wanted to reflect on a comment that a Bill Chamberlain made. I agree with a number of the things he said.

One of them was that companies should not be barred, someone should not be barred from being on the Oversight Board if their company only consumes or purchases electricity. I just wanted to add a little bit of a qualifying phrase to that, which would be my concern is that there are some manufacturers in this

state that might be interested, but also one of the facilities may cogenerate or may have a back-up generator or something else, and the way Bill said it, they would be disqualified because they do more than consume electricity, they also generate some.

And so I'd say maybe put a qualifier that if the generation would not be a significant portion of the company's returns or interest or something, so that if somebody has a back-up generator. For instance, I know like most department stores. I know like Mervyn's, for instance, has a back-up generator. I don't think you necessarily want to bar Mervyn's if someone from Mervyn's wanted to do it, because they had back-up generators in their stores.

And Bill's -- I agree with the intent of what Bill was saying, but I don't think he meant to exclude people that generate as long as it isn't their main line of business and isn't a main portion of their economic --

**CHAIRMAN IMBRECHT:** Most major businesses, hospitals, newspapers, I know *The L.A. Times* has an extensive back-up generation system so they can get their papers out on time.

**MS. KELLY:** So that was my only comment, was wanting -- I agreed with what Bill said, but wanted to put the caveat on it,

that just because you did more than consume, as long as it wasn't a major portion of your business, it wasn't your main line of work, that it wouldn't bar you.

Because there would be also, along the same, you'd be setting up some interesting dynamics. The fact that IOUs can't be on it but munis could, just from being very involved in WEPEX, there's a very strong dichotomy between their opinions.

And I think by allowing one and not the other, you're creating a major problem. So I think -- sorry -- that if you don't allow IOUs you shouldn't also allow people with strong interest in what goes on in munis. Even though they don't have stock, they have very strong opinions.

Thank you.

**VICE CHAIR RAKOW:** There is always the possibility that an individual could put their conflict-of-interest assets into some type of trust, too, if they wanted to serve that badly.

Beside soliciting your comments on the qualifications necessary and the application form, we would also be very interested in any suggestions that you might have of particular individuals that you think would be an outstanding submission to the Governor's Office. And you could send those to us.

**CHAIRMAN IMBRECHT:** And I think it's also important -- I remember in -- one of the considerations I think is very important here, is it's not just the initial responsibilities of the Oversight Board in terms of the creation of the two Governing Boards that's of import, but the fact that they're designed to serve as an appeals board for ISO decisions.

That suggests to me that obviously one approach would be to simply select or suggest to the Governor a selection of three totally disinterested people with respect to electric power industry. But if they're going to serve as an appeals board for operating decisions of the ISO, at least from my perspective, it seems to me that some degree of expertise in the industry and the operation of the transmission system would make sense as well.

And so I think that further underscores the need, perhaps, to recommend some very quick clean-up legislation at the beginning of the next legislative session.

John.

**MR. SCADDING:** First, I'd just like to apologize for being late, Chairman Imbrecht. I'm sure I was told 9:30, and I'm sure I heard ten o'clock. And so I apologize for being late.

I would just like to add my urging to that of Chairman



Imbrecht's to please submit whatever very good candidates you think would be appropriate for either the CEC or the PUC for both of us to consider. I think we're going to have a very hard time finding that -- there are a good set of candidates out there, I know. But finding them is not going to be a trivial exercise.

**VICE CHAIR RAKOW:** Because the pay is so great.

**MR. SCADDING:** Yes, yes.

**CHAIRMAN IMBRECHT:** Yes, sir.

**MR. COOK:** Mr. Chairman, Gregg Cook, representing the Northern California Power Agency.

What then would be the process for recommending individuals?

**VICE CHAIR RAKOW:** If you will submit names of any individuals that you would like to have fill out an application --

**MR. COOK:** Right.

**VICE CHAIR RAKOW:** -- just call John's office, President Conlan's office or my office.

**MR. COOK:** Okay.

**VICE CHAIR RAKOW:** And we will see that an application is sent to those individuals. And then they fill out the

application, send it -- which as I mentioned earlier, is confidential -- and send it back to both of the agencies.

**MR. COOK:** Would just a phone call to either or both of you would initiate the process?

**VICE CHAIR RAKOW:** Right, right.

**CHAIRMAN IMBRECHT:** Yes.

**MR. COOK:** Okay. Thank you.

**CHAIRMAN IMBRECHT:** A phone call or a letter, either way.

**VICE CHAIR RAKOW:** Yes.

**COMMISSIONER SHARPLESS:** But the time is short.

**VICE CHAIR RAKOW:** The time is now.

**MR. COOK:** That's why I asked the question, the time is short. Thank you.

**VICE CHAIR RAKOW:** Yes. Thank you.

**CHAIRMAN IMBRECHT:** Yes, sir.

**MR. PRITCHARD:** I'm Jim Pritchard with the Los Angeles Department of Water and Power.

And as I've been listening to the comments so far today, it seems to me that we have this problem with a rather restrictive conflict-of-interest code being applied to applicants for the

Oversight Board.

You had characterized the Oversight Board as a supreme court of the ISO. And my concern is that is actually true. I'm not quite sure, considering that the ISO is under the jurisdiction of FERC, whether or not, even though AB 1890 gives the Oversight Board final authority over all decisions, whether or not the Oversight Board's decisions will also be subject to FERC.

And perhaps we could talk a little bit about that.

**CHAIRMAN IMBRECHT:** Those are fair questions. And I perhaps was using a bit of hyperbole in my description.

Obviously, the entire schematic of 1890 is going to require a FERC blessing. That is yet to take place. There is, I think, differing viewpoints about the likelihood of that occurring.

Generally speaking, the informal indications that I have received, and I believe Commissioner Fessler and President Conlan have received, suggest that they are likely to be largely supportive of 1890. But obviously until that is a finally-approved decision, it's still speculative.

**MR. PRITCHARD:** Yes. My concern is that we don't get too tied up in the conflict-of-interest problem. And to the

extent that perhaps FERC would exercise some jurisdiction over the final decisions of the ISO Oversight Board, perhaps it would not be so necessary to be so restrictive in terms of who could participate in the ISO Board.

**CHAIRMAN IMBRECHT:** Well, the problem in that context is that, irrespective of whether FERC decides that they would entertain further appeals, relative decisions made by the Oversight Board, the Oversight Board is fundamentally a public institution created under the laws of the State of California, and therefore subject to the Fair Political Practices Act.

And so whether FERC would say that we would be yet another level of appeal beyond the Oversight Board, the Oversight Board nonetheless is a State institution.

**MR. PRITCHARD:** All right. I just wanted to bring this up for people's consideration as they think about this.

Thank you.

**MR. CHAMBERLAIN:** I think Mr. Pritchard's argument is basically one that could be made to the Legislature in support of some sort of relaxation of the Fair Political Practices Act. But I think you're certainly correct that, as it stands today, it's not an argument that we can implement.

**CHAIRMAN IMBRECHT:** I think it is fair to say that if others have views about the composition of the Oversight Board, as we have appealed to many of the parties in the past, if we're going to be successful in moving a clean-up bill quickly at the beginning, and what we're really talking about is something that would need to be introduced on December 2nd, when the new Legislature takes office, so that it can be considered early in January, that we're going to need to develop some degree of consensus as to some of the elements that are going to be required in that clean-up legislation.

I am surprised I haven't heard any comments from our representatives from the IOUs today.

Mr. Willoughby or Mr. Johnson, any -- no?

**COMMISSIONER SHARPLESS:** Chairman Imbrecht, I would just say that with regard to whatever might be considered in offering to the Legislature on this conflict-of-interest issue, I would believe that the reason why the Legislature established this Oversight Board was an issue of public trust.

And, therefore, that means that whoever gets placed on this Board is someone who is looking out after the interests of the public. And I think that is going to favor, perhaps, a degree

of caution on the side of conflict of interest.

That's not to say that people we appoint or the Governor appoints people to the Board that lack knowledge in the operation of the industry. But I do, in response to L.A. Water and Power, say that I think, given the reason why this Board was established in the first place, that in looking at the candidates, we have to be mindful of the fact that this was established as a process that would enhance the public trust, and how the functions of the ISO and Power Exchange would be carried out.

And so I think that whatever candidates, whatever names we get, that might be high on the list of what we're looking for.

**VICE CHAIR RAKOW:** One of the questions in the application form, which is the standard form, from the Governor's Office, is, too, the applicant must list any potential conflict that the applicant sees upfront. So I think that that would be -- make it very obvious in the beginning.

**CHAIRMAN IMBRECHT:** Mr. Willoughby.

**COMMISSIONER SHARPLESS:** I knew I could smoke him out, say something --

**MR. WILLOUGHBY:** Mr. Chairman, I will take advantage of your kind invitation. This is, for the record, Tom Willoughby for

PG&E.

I think we would fully agree with Commissioner Sharpless of the type of individual that you're seeking. But along the lines of comments of things that the statute might have to be expanded or clarified, I will leave just this thought with you.

PG&E sees the role of this Oversight Board as comparable to that of a board of directors of a large corporation. They would not, we feel, be full-time people that would engage in day-to-day management decisions, --

**CHAIRMAN IMBRECHT:** Definitely.

**MR. WILLOUGHBY:** -- but would rather perhaps be paid some kind of a moderate stipend annually together with expenses and per diem for the actual times that they had to meet, whether to make policy decisions or to process appeals. Now that may need to be clarified a bit.

I realize the Legislature cannot provide a salary to these people by virtue of urgency legislation, so they may have to get by during 1997 on some kind of an expense allowance. But I just wanted to leave that thought to you as you're thinking about clarifying legislation.

**CHAIRMAN IMBRECHT:** What type of individuals do you

think are appropriate? I mean in the context of idler comments about some need for knowledge and expertise in the area, but at the same time the independence from the industry itself?

**MR. WILLOUGHBY:** With the caveat that these are not official PG&E recommendations, I can mention -- give you some for instance, you know, names that have been kind of kicked around in --

**CHAIRMAN IMBRECHT:** Certainly.

**MR. WILLOUGHBY:** -- in casual conversations.

Someone like a Norm Schumway, for example, who had had experience. He's been on the CPUC. And I realize there may be people who have opinions about Norm Schumway, but someone of that stature, who I think as you commented, Mr. Chairman, that someone who has had some background and experience in the utility industry. I think that's very, very desirable, in a person, one of these three people that would be a voting member.

**CHAIRMAN IMBRECHT:** Or perhaps somebody like Arch Pue [phonetic] that used to --

**MR. WILLOUGHBY:** That type.

**CHAIRMAN IMBRECHT:** -- who used to be the chair of NCPA.



**MR. WILLOUGHBY:** That type of individual.

**CHAIRMAN IMBRECHT:** Um-hum. All right.

**MR. WILLOUGHBY:** Thank you very much.

**CHAIRMAN IMBRECHT:** Thank you.

All right. Any further comments?

[No response.]

**CHAIRMAN IMBRECHT:** Well, again I invite you to offer your suggestions to us in writing, and please do it as expeditiously as possible.

It appears that we have nothing further to discuss today, so we stand in adjournment.

**VICE CHAIR RAKOW:** Thank you.

[Meeting adjourned at 10:32 a.m.]

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**CERTIFICATE OF REPORTER**

I, **SUSAN PALMER**, a duly commissioned Reporter of **CourtScribes**, do hereby declare and certify under penalty of perjury that I have recorded the foregoing proceedings which were held and taken at the **CALIFORNIA ENERGY COMMISSION of the BUDGET and MANAGEMENT COMMITTEE** in Sacramento, California on the **8th day of November 1996**.

I also declare and certify under penalty of perjury that I have caused the aforementioned proceedings to be transcribed, and that the foregoing pages constitute a true and accurate transcription of the aforementioned proceedings.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said meeting.

Dated this **11th day of November 1996** at Foresthill, California.

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**SUSAN PALMER**  
**REPORTER**